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SUBJECT: CANADA AND CLIMATE CHANGE: IDEAS FOR MOVING TO
POST-KYOTO COOPERATION

REF: OTTAWA 824

1. Summary: Canadian Minister of Environment, Stephane Dion, and his staff are in the process of formulating their plans for COP-11 and post-Kyoto cooperation on climate change. Their current thinking is to engage international experts and key foreign governments in a dialog leading up to COP-11 in Montreal late this year. They plan to focus the dialog on four key issue areas: 1) how to achieve deep reductions in greenhouse gases (GHG) while maintaining strong economic growth; 2) how to deploy currently available technologies broadly and to develop new technologies to cut GHG emissions; 3) how to ensure/encourage efficient markets for GHG trading; and 4) how to build effective adaptation strategies. Dion hopes that his dialog will help shape some nascent ideas on how to engage the U.S. and leading developing countries in future international climate change arrangements. Canada may host a climate change technology fair in conjunction with COP-11 to highlight some promising technologies, and would like to encourage participation by U.S. companies. Post believes that Dion's initiative on climate change offers an opportunity for senior U.S. officials to engage Dion and Canadian counterparts in the coming months. End Summary.

2. ESTH Counselor met on 3/23 with Jean Boutet, Special Assistant to Canadian Minister of Environment, Stephane Dion, to discuss GOC thinking on climate change issues in the run-up to COP-11 in Montreal later this year. Boutet said that the dates of the meeting seem to be set for November 28-December 9, with the second week set aside for ministerial level meetings. He noted that the GOC is thinking of organizing a climate change technology fair to coincide with the COP. Boutet said that he would let us know when a final decision on that idea had been made, but indicated that the GOC would be very interested in participation by U.S. firms. He asked if the USG could help to facilitate that participation if the GOC decides to go ahead with the technology fair. He recognized the need for a quick decision to allow time for planning by possible participants. Boutet said the GOC is expecting 10,000 international participants for COP-11, an audience of officials and experts that should be an attraction for companies with new or innovative technologies.

3. In the time remaining before COP-11, Minister Dion intends to consult widely with international climate change experts and foreign governments to get a good overview of the international views. Prior to assuming the chairmanship of the COP, Dion's consultations would be informal, but once he assumes the chair, he is considering the use of a group of twenty or so countries for ongoing discussions. Boutet didn't mention all the candidate countries for this advisory group, but indicated that the U.S. would certainly be a part of it. Other countries he discussed included China, India, Argentina, Brazil and Iran. He specifically asked if the lack of bilateral relations between Iran and the U.S. would make Iran's participation problematic for the U.S.

4. According to Boutet, Dion's dialog with international experts and foreign governments will focus on four key lines of inquiry: 1) how to achieve deep reductions in greenhouse gases (GHG) while maintaining strong economic growth; 2) how to deploy currently available technologies broadly and to develop new technologies to cut GHG emissions; 3) how to ensure/encourage efficient markets for GHG trading; and 4) how to build effective adaptation strategies. He told ESTH Counselor that Dion is particularly interested in clean coal and renewable energy technologies.

5. Boutet said that the GOC still expects to announce its domestic Kyoto implementation plan for "large final emitters" in a matter of weeks, not months. The large final emitters plan will be based on sectoral GHG intensity targets. (A voluntary agreement with auto manufacturers is also close to announcement -- see reftel.) He suggested that Minister Dion is considering whether this approach might offer some basis for future international arrangements on climate change, if for example, there were world-wide sectoral targets on the use of best available technology in key sectors. Boutet noted that China, India and other large developing countries

would continue to build new coal power plants, for example. But the impact of the continued use of coal would be mitigated if those countries could be persuaded to use the most GHG efficient technologies in building new or refurbishing old plants. The same would hold true for other key sectors, such as cement, aluminum, etc.

16. Minister Dion's ideas for moving beyond Kyoto internationally are, according to Boutet, an extension of his domestic emphasis on the relationship between strong and sustainable economic growth. Dion sees GHG intensity targets as an effective means of achieving deep reductions in overall GHG emissions. Dion recently heard from his UK counterparts that their cap-and-trade system has also been highly effective. Boutet expressed enthusiasm for plans by the Quebec provincial government to greatly expand the use of wind power, particularly in conjunction with existing hydro-electric plants. Wind and hydro power, he explained, are highly complementary and very efficient when used in tandem. He said that the wind maps published by the GOC last year had spurred considerable interest in wind generation, especially in Quebec and Manitoba.

17. Comment: It is evident that Minister Dion would like close cooperation and dialogue with the U.S. in the run-up to COP-11 and as he assumes the chair for the year following the Montreal meeting. Boutet noted that Dion had met with CEQ Chairman Connaughton and U/S Dobriansky recently at G-8 meetings in London and that the Minister had invited them to visit Ottawa for more detailed discussions on climate change issues. Embassy believes that such visits would be very useful in helping to inform the Canadian approach to climate change, both domestically and internationally. We would also like to use such visits by senior U.S. officials to bolster ongoing Embassy efforts to explain U.S. policies and accomplishments on environmental issues more broadly to the Canadian Government, the Parliament and the Canadian public. Highlighting the strong U.S. record on environment, and climate change in particular, is all the more important given the emphasis on environmental issues in the "Security and Prosperity Partnership of North America" announced yesterday by President Bush, President Fox and Prime Minister Martin. We would warmly welcome visits by CEQ Chairman Connaughton, U/S Dobriansky, EPA Administrator Johnson and other senior officials and look forward to working with Washington agencies to make the necessary arrangements with the GOC. End Comment.

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